

# WHY PERMANENT NORMAL TRADE RELATIONS IS ESSENTIAL

by the White House's China Trade Relations Working Group

One of the most frequently asked questions about the U.S.-China Bilateral Agreement is why the United States must grant permanent normal trade relations (PNTR) to China. Why can't we just continue extending normal trade relations (NTR) on a yearly basis and still continue on with China's accession to the WTO?

The answer to that question is simple: America must grant permanent normal trade relations to China to obtain

To compete effectively, American companies, farmers and workers need the ability to import, export and distribute goods in China—rights currently denied but which will be permitted under the agreement. These rights will allow our businesses to export to China from here at home, and to have their own distribution networks in China, rather than being forced to set up factories there to sell products through Chinese partners. Our firms also need access to China's fast-growing services market in sectors like telecommunications.

If Congress were to refuse to grant PNTR, our Asian, Latin American,

A mandatory review of NTR status is discriminatory and disadvantageous and violates the fundamental WTO principle that all WTO members must be treated the same.

GATT Article I requires that all WTO members grant each other "any advantage, favor, privilege or immunity" provided to other countries "immediately and unconditionally". This rules out granting NTR to China on anything less than a permanent basis.

Some people have argued that the annual or periodic renewal of China's NTR status would be acceptable under

**"WITHOUT THE PASSAGE OF PNTR, THE UNITED STATES COULD FORFEIT THE LARGE BULK OF CHINA'S WTO ACCESSION."**

the full market opening benefits we negotiated. Without PNTR, American farmers, workers and businesses may be left behind.

Without the passage of PNTR, the United States could forfeit the large bulk of China's WTO accession. We cannot guarantee critical benefits negotiated in November—including WTO dispute settlement, the strong provisions against import surges and the right to provide key services such as distribution and telecommunications—without PNTR.

Canadian and European competitors would reap these benefits but American farmers, workers and businesses may well be left behind.

**WTO RULES REQUIRE THAT WE GRANT PERMANENT NORMAL TRADE RELATIONS TO CHINA**

A fundamental principle of the WTO is that you treat imports from all WTO members the same. You cannot give special advantages or impose special disadvantages or hardships on some countries' products and not others.

WTO obligations if NTR status was not conditioned upon any "extraneous" factors, such as Jackson-Vanik's freedom-of-emigration-related requirements. But, this is clearly and obviously not the case. A fundamental principle of the WTO is that you treat all imports from all WTO members the same. You cannot give special advantages or impose special disadvantages or hardships on some countries' products and not others.

The United States grants NTR treatment to all countries with whom we share and enjoy all the benefits of the

WTO without the condition of an annual review. A mandatory annual or periodic review of whether products from China will be treated the same or differently than products from all other WTO members will inject uncertainty and unpredictability into business decisions affecting imports from China. NTR status provides non-discriminatory treatment of products both at the U.S. border and after the products enter into commerce within the United States.

If we do not grant China PNTR and continue to condition NTR status upon mandatory periodic reviews, we risk losing the full benefits—to our farmers, workers and companies—of the strong, rules-based and enforceable market opening agreement we just negotiated.

In recent weeks, the President has urged the U.S. Congress to grant China per-

manent normal trade relations. The vote on PNTR will not decide whether China enters the WTO. China will become part of the WTO with or without PNTR. By failing to grant PNTR to China, Congress will be determining that our competitors will benefit from China's entry into the WTO and U.S. companies will not. In short, if Congress does not grant PNTR, then U.S. businesses, farmers and workers will be at a competitive disadvantage in the Chinese market. This is an historic opportunity that the U.S. cannot afford to let pass. ■

For additional information on the U.S.- China Bilateral Agreement or the issue of PNTR for China, please visit the China Trade Working Group website ([www.chinapntr.gov](http://www.chinapntr.gov)).



These bicyclists in Beijing could be among the 20 million Chinese projected to become Internet users by the end of this year.

## Excerpts from Secretary of Commerce William M. Daley's Remarks to the Electronic Industries Association, March 14, 2000

I am grateful to serve during the longest economic expansion in our history, when you have created 21 million jobs, when we have the lowest unemployment rate in 30 years.

But as I look at my tenure—and I have a lot of energy left in these 10 months—there is nothing I wish for more than to help open a market of over a billion consumers to American businesses. I can't imagine any Commerce Secretary in the next 30 years having the kind of opportunity I have in the next three months: to help open the biggest potential market in the world. There is no larger step to take than to bring China into the world trading system...

It is easy for me to feel confident America in the end will do the right thing, because it all boil down to this: we live in a new economy; we are watching old China wanting to become a new China; and, I really hope, we are seeing old trade politics give way to new trade politics that is more than about jobs and economics. It is about creating a better and more stable world...

This was no easy decision for China's leaders to join the world trading system... But the Chinese concluded without open markets, they cannot build the world-class industries they need in this century. So, they have handed us what every president since Richard Nixon hoped for: a more open market...

A vote against this would leave China with less access to information. It would leave it with less contact with the democratic world. Ironically, it would do it as the cyberworld has brought great change to our society, and could do the same for China. The leaders of China are smart people. They know if our high tech industry goes in and wires China, and everybody is connected to the Internet, that change will come more rapidly in ways they cannot control. They have made the decision to let it happen. We should not let our disagreements get in the way... ■